

Message Text

LIMITED OFFICIAL USE

PAGE 01 ZAGREB 00371 090950Z
ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 COME-00 CIAE-00 INR-07
NSAE-00 L-03 TRSE-00 OMB-01 STR-04 FTC-01 OPIC-03
SP-02 /041 W
-----091107Z 092849 /15

R 061114Z MAY 77
FM AMCONSUL ZAGREB
TO SECSTATE WASHDC 4454
INFO AMEMBASSY BELGRADE

LIMITED OFFICIAL USE ZAGREB 371

E.O. 11652: N/A
TAGS: ECEM, EINV, YO
SUBJECT: DOW-INA JOINT VENTURE

REF: STATE 91409

1. A HIGH LEVEL DOW OFFICIAL WITH WHOM WE HAVE DISCUSSED "TECHNICAL PROBLEMS" MENTIONED IN REFTEL, IS OPTIMISTIC THAT A SOLUTION WILL BE FOUND.

2. A DOW TEAM HAD BEEN IN ZAGREB SEVERAL TIMES DURING THE PAST THREE WEEKS FOR A SERIES OF MEETINGS WITH INA AND REPUBLICAN GOVERNMENT OFFICIALS, AND DISCUSSIONS AND NEGOTIATIONS ARE CONTINUING. DOW REP WITH WHOM WE SPOKE CHARACTERIZED PROBLEM AS HAVING TWO DIMENSIONS: FIRST, AND HE SAID THIS WAS NOT AT ALL UNUSUAL TO ENCOUNTER AT THIS STAGE OF A NEW JOINT VENTURE, IS A SIMPLE DIFFERENCE OF OPINION AS TO WHAT CERTAIN PROVISIONS IN JOINT VENTURE AGREEMENT MEAN. THESE PROVISIONS NOW HAVE TO BE SPELLED OUT IN FURTHER DETAIL AND IN A MANNER THAT PERMITS THE SAME INTERPRETATION BY BOTH SIDES. SECONDLY, DOW VIEWS THE JOINT VENTURE AS A LONG TERM PROPOSITION, AND THEREFORE SHORT TERM SOLUTIONS DO NOT FIT THE NEEDS OF THE NEW OPERATION. (COMMENT: YUGOSLAVS, WE UNDERSTAND,

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ZAGREB 00371 090950Z

HAVE TALKED IN TERMS OF DUTY LEVELS AND EXPORT INCENTIVES BEING GUARANTEED ONLY FOR DURATION OF CURRENT FIVE-YEAR PLAN.)

3. A FURTHER COMPLICATION AT THE MOMENT IS THE ROLE OF INA. GOVERNMENT (PRESUMABLY FEDERAL LEVEL) HAS SAID THAT INA, AS SIGNER OF ENTERPRISE-TO-ENTERPRISE AGREEMENT, IS THE APPROPRIATE PARTY TO TAKE ON RESPONSIBILITY FOR ECONOMIC GUARANTEES

DESIRED BY DOW, NOT YUGOSLAV GOVERNMENT. HOWEVER, DOW FEELS THAT A PARTNER BURDENED IN THIS FASHION WILL, AT SOME TIME IN THE FUTURE IF THE GUARANTEES ARE CALLED, BECOME AN UNHAPPY PARTNER. THE POSITION OF THE GOVERNMENT THAT AN ENTERPRISE SHOULD UNDERWRITE INVESTMENT INCENTIVES, A TRADITIONAL GOVERNMENTAL FUNCTION IS, IN DOW'S VIEW, SOMEWHAT CONTRIVED. ON THIS PARTICULAR ISSUE, ACCORDING TO DOW REP, INA FINDS ITSELF IN AN AWKWARD POSITION. PRIVATELY, AND FOR OBVIOUS ECONOMIC REASONS, INA SIDES WITH DOW. HOWEVER, FOR THE RECORD AND TO SHOW THE PROPER DEGREE OF YUGOSLAV UNANIMITY, INA HAS HAD TO TAKE A "PUBLIC POSITION SUPPORTING THE GOVERNMENT'S INTERPRETATION OF WHICH PARTY IS TO PROVIDE THE INVESTMENT INCENTIVES. (COMMENT: THE THESIS THAT UNDER SELF-MANAGEMENT A LARGE AND SUCCESSFUL ENTERPRISE LIKE INA SHOULD PLAY A MAJOR ROLE IN SHAPING THE REPUBLIC'S DEVELOPMENT PROGRAM WAS SET FORTH IN AN APRIL 27 TELEVISION INTERVIEW BY MILKA PLANINC, PRESIDENT OF THE CENTRAL COMMITTEE OF THE CROATIAN LC. SHE STATED SPECIFICALLY THAT INA HAS BOTH THE FINANCIAL MEANS AND THE EXPERTISE AND THEREFORE FOR CERTAIN TYPES OF PROJECTS CAN BETTER TAKE ON THE RESPONSIBILITY FOR ECONOMIC DEVELOPMENT THAN OFFICIAL ORGANS.)

4. DOW REP DESCRIBED PRESENT STATUS OF NEGOTIATIONS/DISCUSSIONS AS "EACH SIDE HAS NOW WRITTEN AN 8-PAGE MEMORANDUM SETTING FORTH ITS INTERPRETATION OF THE JOINT-VENTURE AGREEMENT. IN MANY RESPECTS THE TWO DOCUMENTS ARE SIMILAR, AND THERE ARE NOW ONLY A FEW DIFFERENCES TO BE RERONCILED." WHEN ASKED WHETHER HE THOUGHT REMAINING DIFFERENCES COULD BE BRIDGED, HE REPLIED THAT GIVEN YUGOSLAV PROPENSITY FOR FINDING A WAY TO COMPROMISE, HE WAS CONFIDENT THEY WOULD COME UP WITH A FORMULA THAT WOULD SATISFY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ZAGREB 00371 090950Z

BOTH SIDES. NO TIME FRAME WAS SPECIFIED.

5. THERE WAS NO SUGGESTION THAT THE PRESENT IMPASSE HAS DELAYED THE START OF CONSTRUCTION. DOW REP SAID MINI STAFF WHICH IS NOW WORKING IN RIJEKA, IS CONCERNED MAINLY WITH APPLYING FOR VARIOUS PERMITS, ATTENDING HEARINGS, ETC. (SEE ZAGREB A-06). AND THIS PROCESS "IS JUST GETTING STARTED."

6. COMMENT: WHILE IT IS TOO EARLY TO PROGNOSTICATE FINAL OUT-COME, NOTEWORTHY AT THIS TIME ARE CONTINUING, HEAVY SCHEDULE OF MEETINGS AND UPBEAT OUTLOOK OF DOW REP. WE WILL FOLLOW SITUATION AND REPORT FURTHER AS ADDITIONAL INFORMATION BECOMES AVAILABLE.
KAISER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, JOINT VENTURES, BUSINESS FIRMS, PROGRESS REPORTS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 06-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ZAGREB00371
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770162-0763
Format: TEL
From: ZAGREB
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770583/aaaactnq.tel
Line Count: 110
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 92a30799-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 91409
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 11-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2610139
Secure: OPEN
Status: NATIVE
Subject: DOW-INA JOINT VENTURE
TAGS: ECEM, EINV, YO, US
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/92a30799-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009